

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**Telecommunications Division
Public Programs Branch**

**RESOLUTION T-16833
July 8, 2004**

R E S O L U T I O N

**RESOLUTION T-16833. APPROVAL OF THE CALIFORNIA
TELECONNECT FUND (CTF) ADMINISTRATIVE COMMITTEE
FUND SURCHARGE RATE EFFECTIVE AUGUST 1, 2004**

Summary

This resolution raises the California Teleconnect Fund surcharge from the current rate of zero to 0.16% effective August 1, 2004 to fund approximately \$21.74 million in outstanding and estimated claims filed for Fiscal Year (FY) 02-03 and FY 03-04.

Background

The California Teleconnect Fund was implemented under Decision (D.) 96-10-066 on October 25, 1996. In this decision, the Commission reaffirmed its commitment to universal service, and in accordance with state and federal directives, created the CTF to provide discounted rates for a family of telecommunications services for schools and libraries, government-owned health care providers and qualifying community based organizations.

In October 1999, PU Code sections 270-281 were codified as a result of the enactment of Senate Bill (SB) 669 (Stats. 1999, Chapter 677). Section 270(b) requires that the monies in the CTF and five other funds may only be expended pursuant to sections 270-281 and upon appropriation in the annual Budget Act.

The Commission established the present CTF surcharge rate at zero, effective January 1, 2003 in Resolution T-16686, dated December 5, 2002. The surcharge rate was zero% on January 1, 2003. The surcharge rate was established at zero based on an estimated reduction in CTF claims and a remaining fund balance that supported the rate of zero. The CTF fund balance has now been depleted and it is now necessary to implement a surcharge to pay current outstanding claims.

Discussion

In this Resolution, the Commission adopts a 0.16% CTF surcharge effective August 1, 2004. This surcharge was developed using the billing base as adopted by Resolution T-16782 and the estimate of remaining program expenses and obligations from periods in FY 02-03 and FY 03-04 to carriers who have provided discounts to CTF customers. The surcharge rate of 0.16% is applied to the adopted billing base of \$20,947,125,000 in Resolution T-16782, dated December 18, 2003, to generate monthly revenues of approximately \$2.79 million.

Estimates of remaining program expenses and obligations are \$7.26 million for FY 02-03 and \$14.48 million for FY03-04 for a total amount of \$21.74 million. These outstanding obligations were projected using data from claims currently on file and available for payment and estimates based on past claims of what reasonably can be expected to be filed for the remainder of FY 03-04.

In this Resolution, the Commission adopts a 0.16% CTF surcharge until further revised by the Commission.

Notice to Other Carriers, Advice Letter Filing, and Notice of Availability

In Resolution T-15558 (dated June 8, 1994), we waived the notice requirements of General Order (G.O.) 96-A, Section III.G.1 to furnish competing utilities either public or private with copies of related tariff sheets. It did not appear to be in the public's interest for each utility to send and receive over two hundred notices advising them of regulatory changes. We continue to believe that the public interest is served by our past practice and we will continue to waive this notice requirement.

All telecommunications utilities that are subject to the CTF surcharges are required to file revised tariff schedules in compliance with this resolution in accordance with the provisions of G.O. 96-A on or before July 19, 2004. These advice letters shall become effective August 1, 2004 and will remain effective until further revised by the Commission.

Notice of Availability and Comments

In compliance with PU Code Section 311(g), the Commission had served a hard copy of prior resolutions regarding CTF budgets on all telecommunications carriers and the parties of record in R. 95-01-020/I95-01-021. To be consistent with the Commission's commitment to utilize the Internet for distributing Commission orders and information, the Telecommunications Division mailed a notice letter informing the telecommunications carriers, members of the California Teleconnect Fund

Administrative Committee and the parties of record in R. 95-01-020/195-01-021 on the availability of this draft resolution as well as the conformed resolution, when adopted by the Commission, on the Commission web-site, www.cpuc.ca.gov/static/industry/telco/resolutions/index.htm.

Verizon California Inc. filed opening comments supporting the raising the CTF surcharge to 0.16% and requests the Commission adopt this resolution. Frontier companies¹ filed reply comments stating the proposed surcharge is inadequate to fully reimburse the carriers for providing the CTF discounts. The Frontier companies are concerned about the funding for FY 2004-05, especially July 2004 CTF claims.

We believe it is premature to address the funding for FY 2004-05 at this time since the State of California has not yet adopted the budget for FY 2004-05. When the State budget is adopted, the Commission will address the funding requirement for FY 2004-05 in a subsequent resolution, if necessary. Nevertheless, the funding requirement adopted in this CTF surcharge resolution may result in funds available for July 2004 CTF claims.

Findings

1. In October 1999, Public Utilities Code (PU) Code Sections 270-281 were codified as a result of the enactment of Senate Bill 669.
2. PU Code Section 270(b) requires that the monies in California Teleconnect Fund (CTF) Administrative Committee Fund may only be disbursed pursuant to Sections 270-281 and upon appropriation in the annual Budget Act.
3. There are outstanding program payments of approximately \$21.74 million from Fiscal Years (FYs) 2002-03 and 2003-04 that is within the appropriation levels set by the legislature.
4. A CTF surcharge level of 0.16% is necessary to fund the estimated remaining obligations from FY 02-03 and FY 03-04.
5. A CTF surcharge of 0.16% is reasonable and should be adopted.
6. All certificated telecommunications carriers required to file tariffs with the Commission should file advice letters by July 19, 2004 revising the current CTF surcharge rate from zero to 0.16% effective August 1, 2004. All certificated telecommunications carriers in California should apply this surcharge rate on their

¹ Frontier companies include the Frontier Telecommunications Company of California, Golden State, and Tuolumne.

end-user bills rendered on and after August 1, 2004 until further revised by the Commission.

7. Since the circumstances have not changed since the time the Commission waived the notice requirements of General Order 96-A, Section III, G.1 (Resolution T-15558 dated June 8, 1994), the notice requirement for tariff changes complying with this resolution will continue to be waived.
8. Telecommunications carriers, members of the California Teleconnect Fund Administrative Committee and the parties of record in R. 95-01-020/I95-01-021 were informed of the availability of the draft resolution as well as the conformed resolution, when adopted by the Commission, on the Commission web-site, www.cpuc.ca.gov.
9. Verizon California, Inc. filed opening comments supporting the proposed CTF surcharge rate of 0.16%. The Frontier companies filed reply comments concerning the funding requirement of CTF discounts for FY 2004-05. Frontier's comments have been addressed in the Comments section of this resolution.

THEREFORE, IT IS ORDERED that:

1. A surcharge rate of 0.16% is adopted to take effect on August 1, 2004 and remain until further revised by the Commission.
2. All certificated telecommunications carriers required to file tariffs with the Commission shall file advice letters by July 19, 2004 revising the CTF surcharge rate from zero to 0.16% effective August 1, 2004 and should apply this surcharge rate on their end user bills on and after August 1, 2004 until further revised.
3. All Local Exchange Companies and Interexchange Companies are granted an exemption from the noticing requirement of General Order 96-A, Section III, G.1 (Resolution T-15558 dated June 8, 1994), for surcharge changes resulting from this resolution only.

This resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on July 8, 2004. The following Commissioners approved it:

/s/ WESLEY M. FRANKLIN

WESLEY M. FRANKLIN
Deputy Executive Director

MICHAEL R. PEEVEY
President
CARL W. WOOD
LORETTA M. LYNCH
GEOFFREY F. BROWN
SUSAN P. KENNEDY
Commissioners